ORIGINAL

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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
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DOCKETED BY

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In the matter of the Application of Tucson Electric Power Company for the approval of its 2013 – 2017 Renewable Energy Standard and Tariff Implementation Plan

Docket No. E-01933A-12-0296

AriSEIA would like to thank the Commission for the opportunity to provide comments on the 2013 Tucson Electric Power REST Implementation Plan. We would also like to thank TEP for the collaborative stakeholder process and opportunities to keep fully informed on the status of their REST programs. We appreciate their willingness to collaborate with the solar industry and consider recommendations provided from the industry.

Arizona's Renewable Energy Standard and Tariff (REST) has been a tremendously successful program, in fact, the recent press release from the Governor's Office: National Report: Arizona #2 in Solar Energy Development, cites Arizona as being among the national leaders in solar energy development and jobs according to the recent quarterly report filed by the Solar Energy Industries Association (SEIA), in Washington DC.

This achievement has enabled Arizona to take advantage of a more diverse power supply, greater grid stability, and the numerous additional benefits of solar including job creation and economic development. Additionally, the levels of market activity in Arizona have allowed the industry to lower costs for installation of photovoltaic technologies and reduce the incentive that has been provided to that market segment. Therefore, we believe that it is in the best interest of Arizona to, at a minimum, maintain the solar markets at their current level of activity. This will enable Arizona to maintain a strong solar industry and the job creation that has been so important to our state during the recent difficult economic period.

We appreciate the fact that TEP took the time and effort to survey the Tucson community and determine that there was widespread support for TEP solar programs. As has been demonstrated time and time again across the state and the nation, TEP's polling has shown an overwhelming support for solar energy and that Tucson ratepayers were willing to pay a reasonable amount on their utility bills to support TEP's solar programs.

Incentives and New Capacity

We support TEP's effort to maintain a fixed incentive; however we would like to underscore the need for flexibility in today's dynamic market. A variety of issues such as the impact of the elimination of bonus depreciation on solar financing costs, the loss of the 1603 Treasury Grant Program, and other factors may affect the ability of the solar industry to continue the rapid price reductions that we have seen in recent years. TEP's proposal supports the goal of maintaining a strong market under changing conditions.

As you know, according to the REST rule that was adopted by the Commission, there is a significant decrease in the number of new systems required to meet compliance through 2015, followed by a marked increase in 2016. This has the potential of seriously disrupting the growth and stability of the solar industry and creates the potential for the market to be unable to meet compliance requirement in 2016 and beyond. TEP is proposing that the residential DG percentage increase at a rate of 0.75 percent for 2013 through 2018 followed by the existing 1 percent increase currently mandated by the REST. AriSEIA supports TEP's request for a residential DG compliance floor in order to facilitate market stability and provide the solar stakeholder community with a steady percentage increase between 2013 and 2018. In the past, we have noted the need to maintain a strong industry for during this period.

While we do not agree with everything in the TEP 2013 Implementation Plan, we appreciate the fact that the plan filed by TEP takes us in the direction of maintaining a strong market for solar in TEP service territory.

AriSEIA would also like to stress the importance of maintaining the market for commercial systems. The commercial market will continue need incentives to maintain the current level of activity. The non-residential Distributed Energy (less than 2 MW systems) market is very dynamic with many moving pieces. It is critical to understand the impact of changes in the economic environment when setting policy.

REST Surcharge

AriSEIA appreciates TEP's difficulties implementing the policy put into place last year where solar customers will still pay into the REST surcharge after having installed solar energy systems on their home or properties. However, we see unintended consequences with the TEP proposal to have solar customers pay the REST CAP. Namely, the CAP method will prevent many commercial from installing solar because the surcharge will negate the savings they see from solar energy production.

For example: a customer who installed a system last year needed about 20kw for 90% of their energy usage. The average REST surcharge, as proposed in the 2013 implementation plan, would be $24. By installing a 20 kW system, their surcharge would increase to $190 under the REST CAP method. This would have the effect of changing their payback period from 5.7 years under the old method (solar reduces the surcharge), to 6.09 years under the original Burns amendment, to 12.9 years under the TEP proposed change.

AriSEIA feels that customers should pay either the average or the amount last paid before system commissioning. We feel that this meets the spirit of the policy of having those who have taken advantage of the program continue to help fund the program and does not burden a business with a greater surcharge than they would normally pay. In a perfect world, we would like to see the customer pay as close to their current surcharge as possible.

REC Ownership and REST Compliance

Customers who install solar are making an investment, part of which is an investment in the RECs that are generated by the system. These RECs are the property of the system owner and the integrity of the RECs should be maintained in any methodology that is developed to insure compliance with the REST.

Proposals that link REC exchange to interconnection, rate riders or net metering would have a negative impact on the integrity of the RECs and the solar industry in general. AriSEIA has worked closely with SEIA and other stakeholders on this matter and will assist in the development of a proposed policy that maintains REC integrity, and accomplishes the goal of insuring REST compliance.

Finally, once again, we express our thanks to TEP for their willingness to listen to the solar industry and the collaborative process in which they engaged their customers to determine what they would like to see in the way of solar programs for ratepayers. This survey demonstrated overwhelming support for renewable energy, consistent with prior surveys, both here in Arizona and nationally. While we don't agree with everything in the TEP Plan, we look forward to continuing to work towards the implementation of programs that serve the needs of the stakeholders in the process including Arizona's ratepayers.

Sincerely,

Michael L. Neary

Michael L. Neary
Executive Director
Arizona Solar Energy Industries Association